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Docket # E-01461A-15-0363

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3 COMMISSIONERS
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BEFORE THE ARIZONA CORPORATION COMMISSION
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IN THE MATTER OF THE APPLICATION OF TRICO ELECTRIC COOPERATIVE, INC., AN ARIZONA NONPROFIT CORPORATION, FOR A DETERMINATION OF THE CURRENT FAIR VALUE OF ITS UTILITY PLANT AND PROPERTY AND FOR INCREASES IN ITS RATES AND CHARGES FOR UTILITY SERVICE AND FOR RELATED APPROVALS.

DOCKET NO. E-01461A-15-0363

Response to Letters from
Commissioners Tobin and Little

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11 This response is to the recent letters sent to interested parties by Commissioners Tobin (dated October 12,
12 2016) and Little (dated October 21, 2016), the latter requesting discussion regarding the grandfathering of
13 current net metering tariff for TRICO members who had DG interconnections applications submitted by *May*
14 *31, 2016 cutoff*, and the consideration of a *peak demand tariff*.

15
16 TRICO members have for some time been made aware by TRICO in their member billing publications of the
17 pending change away from net metering to a new tariff for PVDG. Accordingly, the *May 31, 2016 cutoff* date
18 is both fair and transparent. To delay that cut-off date would result in excessive ongoing losses in TRICO
19 revenue owing to the fact that the presently fast-growing new (post-5/31/2016 cutoff) net metering
20 members, who will be exporting a portion of their solar-generated electricity using the TRICO distribution
21 network, will not be compensating TRICO for that use.

22
23 Clearly, net metering has played a pivotal role in bringing PVDG to the residential market place. However,
24 with the advent of very admirable cost declines achieved by the PV industry, it is time to move beyond net
25 metering to the net billing approach proposed by TRICO.

26
27 The presently proposed TRICO *peak demand tariff* has a charge rate of \$0.00/kW_{peak}. This rate was selected
28 as part of TRICO's intent, before its next rate case, to evaluate the viability of a peak-demand charge and, in
29 the interim, to educate members about this kind of rate. TRICO's proposal is to use the peak kWh
30 consumption in *any* 15-minute period during the billing month as the metric for determining the peak-
31 demand billing charge. This metric has *no* bearing on the total system peak demand that, in practice, is met
32 using any generator employed to meet a daily baseload combined with non-steam-based peaker generators
33 (natural gas-fired and hydro driven) needed to meet the total system peak demand at any point in time.
34 There is no mathematical algorithm that connects the TRICO-proposed metric and the need to determine
35 ways to reduce total system peak demand. A creative, well-designed time-of-use (TOU) tariff would be a
36 more effective, fair and transparent way to reduce the total system peak demand (kW) requirement.

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38 The briefs that I have submitted address two other issues that should be part of the discussion.^{1,2} The first
39 issue deals with the impact on low-kWh-consuming TRICO members of the proposed rate design of a

¹ Docket #E-01461A-15-0363, Robert Hall Final Brief (October 10, 2016).

² Docket #E-01461A-15-0363, Robert Hall Initial Brief (September 26, 2016). pp 4-6.

\$9.00/month increase in basic service charge to \$24.00 per month. The selection of this proposed rate schedule means that, although the average monthly member bill increase is 1.7%, the monthly bill increase for the over 6,600 TRICO members who consume 300-kWh/month or less, will be at least 12.3%. Should alternative combinations of a Basic Service Charge and inclined volumetric block rates be entertained to more equitably distribute the percent monthly bill increase among all TRICO members?

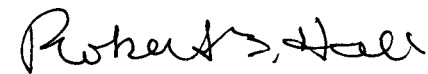
The second issue relates to the utilization by TRICO of an accounting scheme that identifies "Lost Fixed Costs", and the subsequently declared need to "recover" them. For example, TRICO has taken the position that members who consume less than the average residential monthly consumption are not paying their fair share of fixed costs. TRICO's mechanism for "Lost Fixed Cost Recovery" is provided by a mathematical construct. Members who consume more than the average are covering more than their share of the monthly fixed costs, and as a consequence of how mathematical averaging works out, they provide the necessary revenue to *recover* the Fixed Costs that are "lost". It is further held that this mathematical construct results in the higher consuming members "subsidizing" the lower consuming members.

Similarly, those members who invest in energy efficiency and/or generation devices (e.g. LEDS, PVDG) are identified as *contributing* to "Lost Fixed Costs", as well as being subsidized in the "Lost Fixed Costs" accounting scheme. In the case of LEDs there is no present way to measure the associated "Lost Fixed Cost". In the case of PVDG a "Lost Fixed Cost" can be determined based on the measurement of the solar electric output at the site of each residential PVDG array. In neither case is there any mechanism for "recovering" the so-called "Lost Fixed Costs". Accordingly, the calculated "Lost Fixed Cost" is considered to be a subsidy that LED-users or PVDG array sites are receiving from those who do not utilize LEDs or have a PVDG array.

Chasing down the so-called "Lost Fixed Costs" creates a convoluted accounting system and results in the designation of large numbers of members/customers as being subsidized, clearly an artifact that is not justified, and is unfair. The reality is that fixed costs are not "lost". The real quantity that is "lost" due to technology developments is the amount of kWh "sales", or correspondingly, the revenue that those sales generate for TRICO.

Should the thorough cost analysis already prepared by TRICO and reviewed by ACC Staff be employed to develop a more *simplified* accounting method to generate the annual revenues that TRICO requires to continue the excellent service that it has been providing to its members - one that is fair and transparent?

RESPECTFULLY SUBMITTED this 26th day of October, 2016,



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